

Message Text

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PAGE 01 HELSIN 03030 221643Z

ACTION EUR-12

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TO SECSTATE WASHDC 2202

INFO AMEMBASSY COPENHAGEN

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SUBJECT: GOVERNMENT PUSHES THROUGH ITS ECONOMIC PACKAGE

REF: HELSINKI 2876, HELSINKI A-139,

1. SUMMARY: WITH EXPECTED PASSAGE DECEMBER 22 OF THE ECONOMIC POWERS LEGISLATION, THE GOVERNMENT WILL HAVE SUCCEEDED IN PUSHING THROUGH ITS ECONOMIC "STIMULUS" PACKAGE (REFTEL) INTACT AND ON SCHEDULE. ALTHOUGH THE NEW LEGISLATION PROVIDES THE GOVERNMENT WITH AUTHORITY TO IMPOSE WAGE AND PRICE CONTROLS, THE GOVERNMENT IS INSTEAD SEEKING TO EFFECT THE PROGRAM'S WAGE AND PRICE RESTRAINTS THROUGH VOLUNTARY SUPPORT FROM THE LABOR MARKET ORGANIZATIONS, NOT COMPLETELY ASSURED. END SUMMARY.

2. THE BROAD COOPERATION DEMANDED BY PRIME MINISTER

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PAGE 02 HELSIN 03030 221643Z

SORSA FOR HIS ECONOMIC PROGRAM (REFTEL) HAS BEEN FORTHCOMING FROM MOST KEY POLITICAL AND LABOR MARKET ORGANIZATIONS, RELUCTANTLY AND WITH SOME RESERVATIONS BUT ADEQUATELY ENOUGH TO INSURE SURVIVAL OF THE PROGRAM WITH NO CHANGES. THE OPPOSITION CONSERVATIVE PARTY LET IT BE KNOWN LAST WEEK, THROUGH A UNANIMOUS STATEMENT OF ITS PARLIAMENTARY GROUP, THAT IT WOULD NOT OPPOSE THE SPECIAL

ECONOMIC POWERS BILL, EXPECTED TO RECEIVE FINAL PASSAGE BY THE NECESSARY FIVE-SIXTHS MAJORITY OF PARLIAMENT TODAY (DECEMBER 22). THE FIVE GOVERNMENT PARTIES HAVE ALSO BEEN ABLE TO MAINTAIN THEIR UNITED FRONT IN PARLIAMENT SUFFICIENTLY TO PASS A FOUR-YEAR FARM INCOME BILL, THE FINAL 1977 SUPPLEMENTARY BUDGET BILL AND, IN RECORD TIME, THE 1978 BUDGET.

3. THE PACKAGE HAS HAD ROUGHER GOING IN THE LABOR MARKET, WHERE WORKER ORGANIZATIONS HAVE ATTACHED VARIOUS RESERVATIONS TO THEIR ACCEPTANCE OF THE DELAY IN WAGE INCREASES (REFTEL), AND THE SMALL FEDERATION OF TECHNICAL EMPLOYEES UNIONS (STTK) HAS REJECTED IT ENTIRELY. HOWEVER, THE DOMINANT CENTRAL FEDERATION (SAK) DECIDED ON DECEMBER 21, WITH THE UNANIMOUS SUPPORT OF ITS EXECUTIVE COMMITTEE, TO SIGN THE NECESSARY AGREEMENTS WITH THE EMPLOYER FEDERATIONS TO POSTPONE THE INCREASE, PROVIDED THE ECONOMIC POWERS LEGISLATION IS PASSED BY PARLIAMENT.

4. THE ECONOMIC POWERS BILL OR "BILL ON THE SAFEGUARDING OF ECONOMIC DEVELOPMENT," CONSISTS OF AMENDMENTS TO EXISTING LEGISLATION PLUS A SPECIAL POWERS ACT ENABLING THE GOVERNMENT TO RESTRAIN CERTAIN COST FACTORS IN ORDER TO STABILIZE PRICES AND COSTS, IMPROVE EXPORT COMPETITIVENESS, AND REDUCE UNEMPLOYMENT. THE LAW WILL

UNCLASSIFIED

PAGE 03 HELSIN 03030 221643Z

GIVE THE GOVERNMENT POWER TO REGULATE WAGES AND SALARIES, PENSIONS, PRICES, AGRICULTURAL INCOMES, PRICES FOR UNCUT TIMBER, RENTS, AND DIVIDENDS AND OTHER CAPITAL INCOME. HOWEVER, THE LAW IS TO BE BASED ON THE ASSUMPTION THAT THE LABOR MARKET, AGRICULTURAL, AND FOREST INDUSTRY ORGANIZATIONS INVOLVED WILL VOLUNTARILY REACH AGREEMENTS AMONG THEMSELVES TO LIMIT WAGE AND PRODUCT PRICE INCREASES IN ACCORDANCE WITH PROGRAM GUIDELINES. IF ORGANIZATIONS, SUCH AS THE STTK, REFUSE TO GO ALONG THE GOVERNMENT WILL HAVE THE POWER TO ENFORCE COMPLIANCE, BUT SUCH ACTION WOULD PROBABLY INVOLVE THE SORT OF CONFRONTATION THAT SORSA HAD HOPED TO AVOID IN SKING FOR SUPPORT OF THE PROGRAM.

6. THE ECONOMIC POWERS LAW RESEMBLES THE ONE ENACTED IN 1968 TO RESTRAIN INFLATIONARY EFFECTS OF THE 31 PERCENT DEVALUATION OF THE FINNMARK IN 1967. THE 1968 ACT REMAINED EFFECTIVE UNTIL 1971. IN THE ABSENCE OF A DEVALUATION, WHICH THE PRESENT GOVERNMENT, LIKELY TO REMAIN IN POWER UNTIL LATE FEBRUARY, STRONGLY OPPOSES, FULL EXERCISES OF THE POWERS ACT WOULD NOT BE REQUIRED. HOWEVER, THE LAW PROVIDES AUTHORITY ESSENTIAL

TO MANAGEMENT OF ANY SUBSTANTIAL DEVALUATION IN THE
FUTURE.
RIDGWAY

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